



Corporate social responsibility of mining companies in Kyrgyzstan and Tajikistan



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ABSTRACT

The article analyzes the emergence of and practices related to corporate social responsibility (CSR) policies of the mining industry in Kyrgyzstan and Tajikistan. The study draws from an analysis of publicly available CSR reports and additional interviews with the stakeholders of the mining industry in these countries. The forms and emergence of corporate social responsibility policies with relevance to the mining industry and the post-socialist context are first reviewed. The roles of the national and local contexts in the formation of the CSR practices are then investigated. The differences of the emergent CSR models in these two countries are analyzed, as well as the underlying factors for the differences or similarities. It is concluded that despite the shared Soviet legacy, the CSR policies of the mining companies have clearly been diverging in Kyrgyzstan and Tajikistan. The difference emerges from the ways in which the mining companies adapt their CSR practices to the different sets of stakeholders. The CSR practices are influenced strongly by the national context in which the mining operations are conducted. The study shows that CSR activities of the mining industry should be analyzed as consisting of global commitments on the one hand, and varying forms of national and local scale implementations on the other hand.

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1. Introduction

With a shift from cheap and easy resources to expensive and more difficult, the global mining industry is expanding to new regions and facing increasing challenges related to social and environmental constraints to its operations (Prior et al., 2012). In line with the strategies within controversial industries (Du and Vieira, 2012), in order to overcome these social and environmental restraints, the mining industry has been adopting and developing corporate social responsibility (CSR) policies across regions and societies. While these policies have common characteristics, such as a focus on the benefits for local communities from the mining operations, there is also divergence in the design of CSR policies and their implementation strategies in concrete business environments (Gallagher and Weinthal, 2012; Hilson, 2012).

Central Asia is one of the regions that has been in the focus of the global mining industry. As former Republics of the Soviet Union, the Central Asian countries have a legacy with the extractive industries. However, the post-Soviet period has seen major transformations in the relations between the state and the extractive and natural resource industries (Heathershaw, 2011;

Cummings, 2012; Doolot and Heathershaw, 2015). The key issues that have risen have been related to the position of the local communities, the state and the international actors within the field of mining. The Kyrgyz Republic and Tajikistan experienced a sharp rise in large-scale mining operations in the second half of the 20th century as a part of the development strategies of the Soviet Union (Rumer, 1989), but the dissolution of the Soviet Union triggered a profound crisis of these industries as enterprises struggled to adjust to global competition and disruption of former supply chains (Bogdetsky et al., 2001, 2005; Levine, 1996, 2011). Currently, mining companies face long-standing community expectations for the development of the infrastructure and improvement of social services, that were previously provided by the state through the state-owned mining companies (Bogdetsky and Novikov, 2012).

There are severe political challenges for developing the mining industry in Kyrgyzstan and Tajikistan. The two countries have not been politically very stable and, following independence, a succession of governments and two revolutions in Kyrgyzstan and civil war in Tajikistan have discouraged foreign investment. A high level of corruption plagues the Kyrgyz Republic and Tajikistan, as they were ranked 154th and 157th, respectively, on a list of 178 countries by Transparency International (2012). Against this background of complications with social, economic and political

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development, the emergence of corporate responsibility policies in these countries presents a current significant phenomenon that deserves closer examination. While the political conditions in the Kyrgyz Republic and Tajikistan currently differ substantially, their situations as post-Soviet Central Asian societies merit comparison. On a general level, it is a relevant question why and how the similar legacies as post-Soviet states have led to potentially different developments. In this article, we analyze the existing corporate social responsibility policies of the mining industry in Kyrgyzstan and Tajikistan. We explore whether corporate social responsibility policies have been announced for mining operations in the Kyrgyz Republic and Tajikistan; what is the content of these CSR policies; whether there are similarities or differences in the emergent CSR models within the mining industry in these two countries; and what factors underlie the difference or similarity in the CSR policies and practices. We first explore the basic conditions for the mining industry in these two countries, and then turn to debates over the relations of corporate social responsibility, local development and transitional societal conditions. Our analysis of empirical material consists of the investigation of CSR policy documents provided by mining companies of various origins currently operating in Kyrgyzstan and Tajikistan, as well as supplementary interview data.

2. Mining in Tajikistan and Kyrgyzstan

In both Tajikistan and Kyrgyzstan much potential has been recognized to lie in developing mining operations, and some existing production facilities of the resource industries play major roles in the national economies (Bogdetsky et al., 2005; Bogdetsky and Novikov, 2012). While there seems to be political will within the governments for supporting the expansion of the activities of the resource industries (Gullette and Kalybekova, 2014; Doolot and Heathershaw, 2015), there is, nevertheless, much difference regarding the means and politics for materialising these general level plans.

The Tajik economy is heavily controlled by the state, with strong administrative control for businesses to enter the country. In an international survey of countries with the best conditions for business, Tajikistan placed 139th (EBRD, 2011). Uranium mining, which had been an important economic activity prior to independence, collapsed with the Soviet Union. The geology of the country was not as well researched as in Kazakhstan and Kyrgyzstan, and the data remained confidential until recently (Bogdetsky and Novikov, 2012). The majority of mining and ore processing plants are located in northern Tajikistan, where there are significant reserves of copper, lead, zinc, silver and gold. The government has recently announced plans to develop bauxite ores along with increasing hydropower capacities to support the aluminum and other mineral processing industries, and a plan to develop the large silver deposit of Kani-Mansur in northern Tajikistan. The Anzob mining plant develops significant antimony reserves in the Zaravshan and Hissar Mountains. An important player in the resource industries is the Tajik Aluminium Company with a smelter 50 kilometers west of the capital, Dushanbe, that relies on imports of raw materials and uses inexpensive hydropower to extract aluminum. As a major asset for the state, the ownership of the plant and its incorporation in global economic and political assemblages have contributed to the political-economic globalization of the state of Tajikistan (Heathershaw, 2011).

In the international survey of countries best suited for business opportunities, the Kyrgyz Republic was ranked 44th (EBRD, 2011). Therefore, it initially seems that in comparison to Tajikistan, the Kyrgyz economic system and its institutions have developed more towards a national economy that is lucrative for foreign

investments. The share of the mining industry of Kyrgyzstan's GDP was 14% in 2011 (KEITI, 2011). The geology of Kyrgyzstan is well researched and the mineral reserves are well explored, but prior to independence actual mining activities in the country were limited to a few strategic mines extracting uranium, mercury, antimony, gold, coal and rare-earth elements for the needs of the entire Soviet economy. Since achieving independence, Kyrgyzstan has gradually opened itself up to international investors and become a member in the World Trade Organization (WTO). Most areas with mining prospects are currently allocated for exploration and development, and Kyrgyzstan ranks third in gold production in Central Asia after Uzbekistan and Kazakhstan (Bogdetsky and Novikov, 2012).

Nevertheless, the mining industry in Kyrgyzstan rests to a large extent on one mining project, Kumtor. The deposit was discovered in the Tien Shan mountains in 1978, studied during the 1980s by Soviet geologists, and launched in the early 1990s. The mine contributes 65 per cent of the production of the Kyrgyz mining industry and is a substantial source of taxes, social fund payments and employment (Bogdetsky and Novikov, 2012). The Kumtor gold mining enterprise is jointly owned by the Kyrgyz state and the Canadian company Centerra, and the arrangement has been a target for heavy political criticism and speculations on nationalization of the mining company (Gullette, 2014). While the Kumtor mine is important due to its economic significance, during the last decade Kyrgyzstan has witnessed a broader increase in local mining conflicts. The criticism by the inhabitants in the local communities has been focussed on concerns on environmental damage, distrust in the government, and lack of engagement with the local communities by the companies (Oxus International, 2013). The underlying reasons for the conflicts have covered poor economic situation locally, inability of the state to provide social services, poor participatory rights, unrealistic local expectations towards the industry, and the struggles by the local authorities and communities to gain more power in the decision-making processes (Tiainen et al., 2014). It is important to note, however, that local communities are not univocal and it is often hard to determine who or which group best represents a local community (Gullette, 2014).

According to data provided by the World Bank, there has been an increase in the contribution of mineral rents into the national GDPs in the Kyrgyz Republic and Tajikistan (Fig. 1; Fig. 2). However, the data does not provide information on the transformation of the share of the resource sector of the national economy, nor more detailed data on the economic importance of the mineral exports. This in part calls for research that would go beyond statistics and focus on company level analysis of the mining industry. The previous studies reviewed above focus to a significant extent

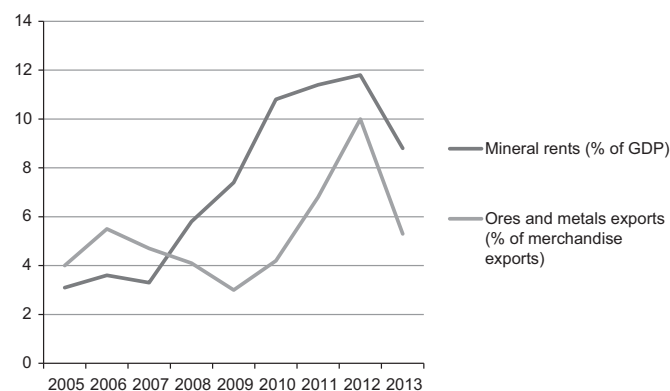


Fig. 1. The share of mineral rents of GDP, and ores and metals export of merchandise exports in the Kyrgyz Republic (source: World Bank Data Base <http://data-bank.worldbank.org/data/home.aspx>).

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